

Frequently Asked Questions – Mortgage Review Board

What is the purpose of the Mortgage Review Board?	The Mortgage Review Board (MRB) oversees the performance of FHA lenders to ensure compliance with FHA/HUD requirements. The MRB takes action against lenders for violating FHA/HUD requirements.
What types of lenders go before the MRB?	Any FHA approved lender within the Title I and Title II program could go before the MRB. This includes lenders involved in Single Family and Multifamily insurance programs.
How does the Board enforce compliance standards for lenders in HUD's Multifamily programs?	<p>The Board has strengthened its commitment to ensuring that mortgagees conduct timely property inspections of FHA-insured multifamily projects. Multifamily mortgagees must make sure that physical inspections of their properties are done periodically and in a timely manner. Project owners also must comply with inspection requirements that mandate a property must be physically sound.</p> <p>When mortgagees do not comply, they receive a "Notice of Violation (NOV)." The MRB is authorized to impose a range of administrative sanctions from a letter of reprimand to withdrawal of a mortgagee's FHA approval. The MRB may also impose civil money penalties.</p>
Why do some lenders go to the MRB while others are resolved at a lower level?	Board cases generally involve the most serious findings. Where there is evidence of widespread abuse of HUD's program requirements, HUD staff will recommend the lender for MRB consideration. In Single Family FHA Insurance cases, for example, approximately 10 percent of the Quality Assurance Division reviews are referred to the MRB for enforcement and the remaining 90 percent are handled at the field level.
How often does the MRB meet?	The Board meets every other month. Generally, meetings are held on the third Thursday of the month. In certain circumstances, the Board can be called into an emergency meeting to vote on a case that involves an immediate threat to the Department.

What sanctions can the MRB impose upon an FHA approved lender?	The MRB has the authority to impose the following sanctions: Withdrawal of approval, suspension of approval, probation, reprimand, and a civil money penalty. Many times, however, prior to imposing a sanction, the MRB will permit the lender to enter a settlement agreement. In many settlement agreements, the lenders agree to pay a civil money penalty and indemnify the Department for any losses to the FHA insurance fund resulting from a claim filed on a specific loan identified in the agreement.
What is the normal process that an MRB case follows?	First the Division sends the lender a Notice of Violation, which describes the specific findings upon which the action is based. The lender has thirty days to respond to the Notice. If no response is received, the case moves forward on the Department's record. If a response is received, Board (MRB) staff and the Office of General Counsel Program Enforcement Division review the response and the matter is presented to the Mortgagee Review Board for its consideration. MRB staff then implements the Board's decisions.
Can a lender be present at the MRB meeting?	No. Lenders do not physically appear before the MRB to present their case; however, MRB staff includes the lender's written response in the material provided to the Board. However, MRB staff does provide the lender to come in before the Board meets to discuss settlement options.
What are some of the more common findings made against lenders in MRB cases?	The following highlights the common findings made against lenders in recent MRB cases: Failure to perform loss mitigation techniques, Failure to implement and maintain a Quality Control Plan; Source of funds issues regarding the borrower's down payment (e.g., improperly documented gift letters, insufficient funds to close, use of unacceptable source of funds, and improperly documented source of funds); Questionable income, assets and liabilities of the borrower (e.g., failure to document discrepancies between the credit report and credit application); Problems with appraisals (e.g., poor comparables, unsubstantiated value adjustments, unsupported values based on the information available, unreported physical deficiencies, "flip transactions" involving a recent change in ownership or a different owner than on the sales contract, and the same people involved in numerous transactions); False statements and certifications; Excessive mortgage payment to income ratios and

	debt to income ratios; Inaccurate HUD-1 settlement statements (e.g., charging unallowable fees); Failure to properly submit Upfront and Monthly Mortgage Insurance Premiums to HUD; Failure to comply with FHA's annual renewal requirements; Improper branch operations (e.g., allowing employees to work for other lenders or real estate firms).
Can lenders appeal an MRB decision?	Yes, lenders can request a hearing with an Administrative Law Judge to appeal any MRB imposed sanction for withdrawal, suspension or probation. A lender must request a hearing within 30 days of receiving the Notice of the MRB action. A designated Hearing Officer holds the Hearing within 30 days of the lender's request.
Are the MRB's actions publicized?	Yes. Section 202(c) of the National Housing Act requires HUD to publish in the <i>Federal Register</i> the cause and description of the administrative action taken by the MRB against HUD approved mortgages. In addition, the Department issues press releases to alert the public about significant MRB actions.
Can members of the general public file complaints against lenders?	Yes. If you have an FHA-insured mortgage and are having difficulty working with your lender contact HUD's National Servicing Center . For complaints against lenders making FHA loans, contact your appropriate HUD Homeownership Center . For complaints against lenders making other types of loans, contact the appropriate Federal agency or your local or state consumer affairs office.